

Translation

Date: 8 May 2023

Subject: Management Discussion and Analysis for the First Quarter of 2023

To: President of the Stock Exchange of Thailand

Siam Makro Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the three-month period ended 31 March 2023, which has been reviewed by its Certified Public Accountant as follows:

1. Operating results: the Company and its subsidiaries

Consolidated Financial Performance (unit: million Baht)	Q1/23	Q1/22	YoY
Sales	114,044	106,268	7.3%
<i>Wholesale business</i> ⁽¹⁾	63,993	56,622	13.0%
<i>Retail business</i> ⁽²⁾	50,051	49,646	0.8%
Revenue from rental and rendering retail services	3,558	3,210	10.9%
Total revenues	120,222	111,418	7.9%
Gross profit from sales	16,017	15,121	5.9%
<i>Gross profit margin from sales (%)</i>	14.0	14.2	(20 bps)
EBITDA ⁽³⁾	9,038	8,637	4.6%
Finance costs	1,895	1,494	26.8%
Net profit	2,166	2,050	5.6%
<i>Wholesale business</i> ⁽¹⁾	1,897	1,741	8.9%
<i>Retail business</i> ⁽²⁾	269	309	(12.8%)
Earnings per share (Baht per share)	0.20	0.19	5.6%

(1) Consisting of Makro-Thailand, Makro-International, and Food Service APME

(2) Consisting of retail businesses under “Lotus’s” and mall business in Thailand and Malaysia (Lotus’s Thailand and Lotus’s Malaysia)

(3) Earnings before interest, tax, depreciation, and amortization

1.1. Performance of the Company and its subsidiaries in 1Q/2023

Revenue

In the first quarter of 2023 (“1Q/2023”), the Company and its subsidiaries reported total revenue of Baht 120,222 million, an increase of Baht 8,804 million or 7.9% year-on-year (“YoY”). While revenue from sales of goods was Baht 114,044 million, which increased by Baht 7,776 million or 7.3% from the same period last year, which mainly due to an increase in wholesale business of Baht 7,371 million or 13.0% from the same quarter last year. The notable increase in sales primarily attributed to in-stores sales purchases, an improvement in delivery efficiency to bolster the online and Omni-channel sales of Makro-Thailand, an expansion of Makro-International across all countries, and a steady recovery in Foodservice APME.

In addition, the Company and its subsidiaries had revenues from rendering of services and other income of Baht 2,620 million, an increase of Baht 680 million or 35.0% compared to the same period last year, primarily from an accounting gain from forward exchange contracts related to loan prepayments of the retail business.

Revenue from rental and rendering retail services

In 1Q/2023, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 3,558 million, an increase of Baht 348 million or 10.9% over the same period last year, primarily due to the retail business.

Therefore, the Company and its subsidiaries achieved a gross profit from rental and rendering retail services of Baht 1,969 million, an increase of Baht 219 million, or 12.6% YoY. The gross profit margin increased to 55.3%, from 54.5% in the first quarter of 2022 (“1Q/2022”).

Gross profit from sales revenue

In 1Q/2023, the Company and its subsidiaries had a gross profit margin of 14.0% of the total sales revenue, which slightly decreased from 1Q/2022 which stood at 14.2%, primarily due to a dip in retail gross profit margin to 18.0% from 18.6% YoY. However, the wholesale gross profit margin stood at 10.9% higher than the same period last year at 10.4%.

Distribution costs and administrative expenses

The Company and its subsidiaries recorded distribution costs and administrative expenses of Baht 16,106 million in 1Q/2023, representing 13.4% of total revenues, which increased by Baht 1,382 million, or 9.4% YoY. This was primarily due to the distribution costs and administrative expenses from the wholesale business of Baht 1,115 million, along with Omni-channel sales' growth.

In addition, the distribution costs and administrative expenses to total revenues of wholesale business and retail business were 9.0% and 18.6%, respectively.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 1Q/2023, the Company and its subsidiaries posted an EBITDA of Baht 9,038 million, an increase of Baht 401 million or 4.6%, compared to the same period last year. This represented 7.5% of total revenues.

Net profit

In 1Q/2023, the Company and its subsidiaries had a net profit of Baht 2,166 million, an increase of Baht 116 million or 5.6% YoY, due to an increase in the wholesale business, which marked at Baht 1,897 million or jumped 8.9% YoY. While the retail business reported a net profit of Baht 269 million, which dropped by 12.8% YoY from higher finance costs, higher electricity expenses, and an early amortization of the upfront fee from debt prepayments in amount of Baht 211 million (net of income tax).

2. Operating results by business division

2.1. The wholesale business performance

	Q1/23	Q1/22	YoY
Wholesale Business	(unit: million Baht)		
Sales	63,993	56,622	13.0%
Other revenues ⁽¹⁾	1,602	1,326	20.8%
Total revenues	65,595	57,948	13.2%
Gross profit from sales	6,986	5,862	19.2%
<i>Gross profit margin from sales (%)</i>	10.9	10.4	50 bps
EBITDA ⁽²⁾	3,648	3,282	11.2%
Net profit	1,897	1,741	8.9%
Number of Stores	(stores)		
<i>Thailand</i> ⁽³⁾	153	144	9
<i>Overseas</i> ⁽⁴⁾	10	7	3
Sales Space	(sq.m.)		
<i>Thailand</i>	808,394	782,544	25,850
<i>Overseas</i> ⁽⁴⁾	43,269	33,946	9,323

(1) Comprises of revenue from rendering of services, revenue from rental and rendering retail services, and other income

(2) Earnings before interest, tax, depreciation, and amortization

(3) During the end of the first quarter of 2022 and the end of the first quarter of 2023, 10 new stores were opened and 1 store was closed.

(4) Excluding a restaurant/food shop under Foodservice APME

Revenue

In 1Q/2023, the wholesale business reported total revenues of Baht 65,595 million, which increased by Baht 7,647 million, or 13.2% YoY. Supportively, the revenue from sales of goods was Baht 63,993 million, rose by Baht 7,371 million or 13.0% YoY, as a result of an increase in in-stores sales and an improvement in delivery efficiency to support Omni-channel sales, as well as an expansion of Makro-International and a steady recovery in Foodservice APME. Additionally, Makro-Thailand's same store sales growth (SSSG) remarkably improved and reached at 10.9%.

In this quarter, the wholesale business registered revenue from rendering of services of Baht 1,196 million and other income of Baht 280 million, totaling Baht 1,476 million, which increased by Baht 247 million, or

20.1% YoY, mainly due to an increase in revenue from promotion activities of Makro-Thailand and the Shohuay event.

Revenue from rental and rendering retail services

The wholesale business had revenue from rental and rendering retail services in 1Q/2023 of Baht 126 million, an increase Baht 29 million or 29.9% YoY, primarily from a revenue from Makro-Thailand.

Gross profit from sales revenue

In 1Q/2023, the wholesale business had a gross profit of 10.9%, increased from 10.4% in the same period last year, mainly due to an increase in a gross profit margin of fresh food from the efficiency improvement in the fresh food products.

Distribution costs and administrative expenses

In 1Q/2023, the wholesale business had distribution costs and administrative expenses totaling Baht 5,909 million, an increase of Baht 1,115 million or 23.3% YoY principally because:

- Distribution costs increased by Baht 881 million, or 25.7% YoY, because of higher electricity expenses from FT adjustments, higher delivery charges associated with a growth in Omni-channel sales, costs related to new store expansions, and Shouhuay event costs.
- Administrative expenses rose by Baht 234 million or 17.1% YoY, mainly from costs related to the online business namely "Makro Pro", including computer expenses related to the business expansion.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 1Q/2023, the wholesale business posted EBITDA of Baht 3,648 million, an increase of Baht 366 million or 11.2%, compared to the same period last year. This represented 5.6% of total revenues.

Net profit

In 1Q/2023, the wholesale business had the total net profit of Baht 1,897 million, rose by 8.9% over the same period of last year, mainly from a growth in sales of Makro-Thailand. Despite Makro-International experienced a loss this quarter from the store expansion during the late last year, the performance in Myanmar has been positive since the third quarter of 2022.

2.2. The retail business performance

	Q1/23	Q1/22	YoY
Retail Business	(unit: million Baht)		
Sales	50,051	49,646	0.8%
Revenue from rental and rendering retail services	3,432	3,113	10.3%
Total revenues	54,676	53,470	2.3%
Gross profit from sales	9,031	9,259	(2.5%)
<i>Gross profit margin from sales (%)</i>	18.0	18.6	(60 bps)
EBITDA ⁽¹⁾	5,439	5,355	1.6%
Net profit	269	309	(12.8%)
Number of Stores ⁽²⁾	(stores)		
<i>Lotus's Thailand</i>	2,589	2,600	(11)
<i>Lotus's Malaysia</i>	65	64	1
Sales Space	(sq.m.)		
<i>Lotus's Thailand</i>	1,537,122	1,528,289	8,833
<i>Lotus's Malaysia</i>	290,986	299,051	(8,065)
Permanent Net Leasable Area	(sq.m.)		
<i>Lotus's Thailand</i>	748,653	722,693	25,960
<i>Occupancy rate (%)</i>	90.0	90.0	-
<i>Lotus's Malaysia</i>	318,264	303,579	14,685
<i>Occupancy rate (%)</i>	95.6	92.5	310 bps

(1) Earnings before interest, taxes, depreciation, and amortization

(2) During the end of the first quarter of 2022 and the end of the first quarter of 2023, 91 new stores were opened, and 101 stores were closed.

Revenue

In 1Q/2023, the retail business had total revenue of Baht 54,676 million, rose 2.3% YoY. Supportively the revenue from sales of goods was Baht 50,051 million, which increased by 0.8% YoY, attributable to sales growth in Thailand. Nevertheless, international sales marginally dropped. Additionally, the retail business's same store sales growth (SSSG) grew 0.5%.

In this quarter, the retail business reported revenue from rendering of services of Baht 291 million and other income of Baht 902 million, totaling Baht 1,193 million, which increased by Baht 482 million, or 67.4% YoY, primarily due to an accounting gain on forward exchange contracts from the loan prepayment to financial institutions in an amount of Baht 372 million.

Revenue from rental and rendering retail services

The retail business had revenue from rental and rendering retail services in 1Q/2023 of Baht 3,432 million, an increase of 10.3% YoY, primarily from an increase in rental rates and spaces as the strategic shift in sales space to mall areas (Mall extension). Additionally, the occupancy rate of Lotus's Malaysia stood at 95.6%, which improved from the previous quarter and the same quarter of the previous year. Meanwhile, the occupancy rate of Lotus's Thailand was at 90.0%.

The retail business had a gross profit from rental and rendering retail services of Baht 1,872 million, an increase of Baht 199 million or 11.9% YoY. This represented a gross profit margin of 54.5%, which was higher than the same period last year's margin of 53.7%.

Gross profit from sales revenue

In 1Q/2023, the retail business had a gross profit of 18.0%, decreased from 18.6% in the same period last year, mainly due to increased costs associated with our promotional campaign for fresh food and consumer products.

Distribution costs and administrative expenses

In 1Q/2023, the retail business had distribution costs and administrative expenses totaling Baht 10,197 million, an increase of Baht 267 million or 2.7% YoY, owing to higher electricity expenses from FT adjustments. This represented 18.6% of total revenues.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 1Q/2023, the retail business posted a positive EBITDA of Baht 5,439 million, an increase of Baht 84 million or 1.6% compared to the same period last year. This represented 9.9% of total revenues.

Net Profit

In 1Q/2023, the retail business reported a net profit of Baht 269 million, a decrease of Baht 40 million or 12.8% YoY, attributable from an increase in borrowing costs due to a rise in floating benchmark interest rates on the US dollar debts. In addition, there were higher electricity expenses and an early amortization of the upfront fee from debt prepayments in amount of Baht 211 million (net of income tax).

3. Statement of financial position of the Company and its subsidiaries

The financial position of the Company and its subsidiaries as of 31 March 2023, compared to 31 December 2022 are as follows:

Consolidated financial statements (unit: million Baht)	31 March 2023	31 December 2022	Change	%
Assets				
Cash and cash equivalents	15,181	40,103	(24,922)	(62.1%)
Other current assets	46,660	47,252	(592)	(1.3%)
Non-current assets	461,079	461,288	(209)	(0.0%)
Total assets	522,920	548,643	(25,723)	(4.7%)
Liabilities				
Current liabilities	76,716	89,125	(12,409)	(13.9%)
Interest-bearing debts ⁽¹⁾	95,073	111,662	(16,589)	(14.9%)
Non-current liabilities	58,316	56,925	1,391	2.4%
Total liabilities	230,105	257,712	(27,607)	(10.7%)
Total equity	292,815	290,931	1,884	0.6%
Total liabilities and equity	522,920	548,643	(25,723)	(4.7%)

(1) Interest-bearing debts excluding lease liabilities.

Total assets

As of 31 March 2023, the Company and its subsidiaries had total assets of Baht 522,920 million, decreased by Baht 25,723 million or 4.7% compared to as of 31 December 2022, owing to a decline of Baht 24,922 million in cash and cash equivalents disbursed in a subsidiary's loan prepayment to financial institutions, repayment liabilities for the goods at the end of the year, store expansion, and investments related to IT system to support online business.

Total liabilities

As of 31 March 2023, the Company and its subsidiaries registered had total liabilities of Baht 230,105 million, a drop of Baht 27,607 million or 10.7% compared to as of 31 December 2022, owing primarily to a decline of Baht 16,589 million in interest-bearing debts as repayments of borrowing from financial institutions and a decrease of Baht 7,821 million in trade account payable from the payment at the end of the year.

Equity

As of 31 March 2023, the Company and its subsidiaries reported Baht 292,815 million in equity, an increase of Baht 1,884 million or 0.6% compared to as of 31 December 2022, owing primarily to its operating performance results for the period. This represented a book value is Baht 27.62 per share.

4. Statement of cash flows of the Company and its subsidiaries

(unit: million Baht)	Consolidated For the three-month period ended 31 March	
	2023	2022
Net cash generated from (used in) operating activities	(704)	1,574
Net cash generated from (used in) investing activities	(3,942)	(5,027)
Net cash generated from (used in) financing activities	(19,493)	(1,017)
Exchange differences on translating financial statements	<u>(783)</u>	<u>(53)</u>
Net increase (decrease) in cash and cash equivalents	(24,922)	(4,523)
Cash and cash equivalents at the beginning of the period	<u>40,103</u>	<u>68,530</u>
Cash and cash equivalents at the end of the period	<u>15,181</u>	<u>64,007</u>

For the three-month period ended 31 March 2023, the Company and its subsidiaries had net cash used in operating activities in an amount of Baht 704 million, mainly due to the repayment liabilities for the goods at the end of the year and interest paid. Net cash used in investing activities was Baht 3,942 million, primarily from investment in new store expansions and IT systems to support the online business. On the other hand, net cash used in financing activities was Baht 19,493 million, mainly from repayments of borrowings from financial institutions. From an aforesaid use of fund, the net decrease in cash and cash equivalents was Baht 24,922 million, which resulted to cash and cash equivalents of Baht 15,181 million at the end of the period.

Please be informed accordingly.

Yours faithfully,

Siam Makro Public Company Limited

(Saowaluck Thithapant)

Group Chief Executive Officer - Makro Business and

Group Chief Financial Officer

SET & Investor Relations

Tel. 02 067 8999 Ext. 8285 and 9341 Email: ir@siammakro.co.th